



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 • FAX: 217) 785-4111

DOCKET ITEM: C-3	BOARD MEETING: December 6-7, 2011	EXEMPTION NUMBER: E-014-11
EXEMPTION APPLICANT(S): Alexian Brothers Health System, Ascension Health		
FACILITY NAME and LOCATION: Alexian Brothers Behavioral Health Hospital, Hoffman Estates		

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants are Alexian Brothers Health System and Ascension Health. The applicants are proposing a change in control of the health care facility's operation, physical plant, and assets. The FMV of the transaction is \$24,657,000.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- 20 ILCS 3960 states that a change of control of a licensed health care facility requires approval of the State Board. Ascension Health has an "AA+" Bond rating, therefore the **applicant qualifies for an exemption to the certificate of need application.**

PURPOSE OF THE PROJECT:

- To seek approval of the State Board for a change of ownership of a health care facility as required by the 20 ILCS 3960.

BACKGROUND/COMPLIANCE ISSUES:

- There were no background or compliance issues associated with the applicants.

FINANCIAL AND ECONOMIC FEASIBILITY:

- Ascension Health has an "AA+" Bond rating. Fitch notes *"Ascensions' broad scope of operations, preponderance of high performing providers with strong market positions, consistent operating results, well developed management practices and low debt burden combine to support Fitch's highest long term rating for acute care systems. Due to the wide geographic dispersion of its operations, Ascension's financial results are relatively insulated from local regional, economic, political, and demographic changes that could negatively impact pricing, inflation, and/or patient volumes."*



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CHARITY CARE:

- The applicants have attested that there will be no change in charity care for two years after project completion. The 2010 Hospital Profile Information is attached at the end of this report.

CONCLUSION:

- All requirements of the exemption application have been met. 20 ILCS 3960/6 states "The State Board shall establish by regulation the procedures and requirements regarding issuance of exemptions. An exemption shall be approved when information required by the Board by rule is submitted. Projects eligible for an exemption, rather than a permit, include, but are not limited to, change of ownership of a health care facility. For a change of ownership of a health care facility between related persons, the State Board shall provide by rule for an expedited process for obtaining an exemption. In connection with a change of ownership, the State Board may approve the transfer of an existing permit without regard to whether the permit to be transferred has yet been obligated, except for permits establishing a new facility or a new category of service."



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STATE AGENCY REPORT
CHANGE OF OWNERSHIP EXEMPTION

I. The Exemption Application

The applicants, Alexian Brothers Health System and Ascension Health are proposing a change in the membership or sponsorship of a not for profit corporation that owns or controls an Illinois licensed health care facility, as well as the physical plant and assets. Per the Strategic Affiliation Agreement between the two applicants, Ascension Health will become the sole corporate member of Alexian Brothers Medical Center, and Alexian Brothers Health System will operate as one of Ascension's Health Ministries. Board Staff notes there are two other facilities/exemption applications involved in the proposed transaction, they are Exemption E-012-11, St. Alexius Medical Center, Hoffman Estates, and E-013-11, Alexian Brothers Medical Center, Elk Grove Village. The fair market value of the facility to be acquired is \$24,657,000.

The Illinois Health Facilities Planning Act defines a change of ownership as

“ . . . a change in the person who has ownership or control of a health care facility's physical plant and capital assets. A change in ownership is indicated by the following transactions: sale, transfer, acquisition, lease, change of sponsorship or other means of transferring control.”

II. The Facility

Alexian Brothers Behavioral Health Hospital (ABBHH) is a 141-bed acute care hospital located in Hoffman Estates, specializing in Acute Mental Illness (AMI) services. Table One below identifies the authorized beds offered by the hospital, and their 2010 utilization.



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TABLE ONE								
Alexian Brothers Behavioral Health Hospital, Hoffman Estates								
2010 Utilization								
Beds	Beds	Admissions	Days	ALOS	ADC	Utilization	Target Occ.	Met Target
Acute Mental Illness	141	6,101	46,541	7.6	127.5	90.4%	85%	Yes
Total	141	6,101	46,541					
Information taken from the 2010 IDPH Hospital Questionnaire								

III. The Applicant

Ascension Health is a Missouri-based nonprofit corporation that operates in more than 500 locations and twenty states. The applicants provided a listing of 77 acute care hospitals operating within the Ascension Health network (application, p.27). Ascension Health has an AA+ bond rating.

IV. The Proposed Transaction and Attestations

Alexian Brothers Health System is proposing to combine its health care system and operations into Ascension Health, the largest not-for-profit Catholic health care system in the United States, as part of a corporate affiliation transaction. The proposed affiliation will result in the transfer of the ultimate control of Alexian Brother's three Illinois hospitals, St. Alexis Medical Center, Hoffman Estates (exemption application E-012-11), Alexian Brothers Medical Center, Elk Grove Village (exemption application E-013-11) Alexian Brothers Behavioral Health Hospital, Hoffman Estates (exemption application E-014-11). The applicants attest that Alexian Brothers Health System's decision to merge with Ascension Health is one that best fits Alexian Brothers' strategic plan, mission, culture, and financial goals. Both Ascension and Alexian Brothers Health Systems are catholic organizations, and will continue to abide by the *Ethical and Religious Directives for Catholic Health Care Services*. Ascension will offer expanded access to resources necessary for modern health care.

Part of the transaction involves Ascension's obligation to fund a portion of St. Alexis Medical Center's campus modernization program up to \$125,000,000,



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(Project #09-054), fund the defeasance of outstanding Alexian Brothers Health System debt, and fund an existing Alexian Brothers' long term care project in Tennessee up to \$30,000,000.

The applicants have attested that all beds and services will not substantially change for at least 12 months following the completion of the proposed transaction, and there will be no change resulting in the restriction of patient admissions or reductions in access to care or a more restrictive charity care policy. The applicants attest that an Alexian Brother will be the Chairman of Alexian Brothers Health System Board for a minimum of 4 years, and an Alexian Brother will serve on the Board of Trustees for Ascension Health. The applicants have certified that no adverse actions have been taken against them by the federal government, licensing or certifying bodies of the State of Illinois. The anticipated date for transaction completion is on or before January 1, 2012.

VI. Other Information

Included in the information submitted to the State Board is the change of ownership exemption application for the proposed change of ownership of Alexian Brothers Behavioral Health Hospital, Hoffman Estates.

Patients by Ethnicity

Facility Utilization Data by Category of Service

(Includes ICU Direct Admissions Only)

<u>Financial Year Reported:</u>	1/1/2010 to	12/31/2010	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>					Charity Care Expense	<i>Total Charity Care Expense</i>
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals			
Inpatient Revenue (\$)	41.6%	1.7%	0.5%	53.8%	2.4%	100.0%			653,600
	14,354,170	582,930	180,088	18,547,947	837,217	34,502,352	536,301		
Outpatient Revenue (\$)	9.5%	3.1%	0.2%	84.3%	2.9%	100.0%			
	2,159,719	693,989	53,814	19,166,444	652,221	22,726,187	117,299		1.1%

				<u>Organ Transplantation</u>	
Number of Total Births:	0	Level 1 Patient Days	0	Kidney:	0
Number of Live Births:	0	Level 2 Patient Days	0	Heart:	0
Birthing Rooms:	0	Level 2+ Patient Days	0	Lung:	0
Labor Rooms:	0	Total Nursery Patientdays	0	Heart/Lung:	0
Delivery Rooms:	0			Pancreas:	0
Labor-Delivery-Recovery Rooms:	0	<u>Laboratory Studies</u>		Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	0	Inpatient Studies	0	Total:	0
C-Section Rooms:	0	Outpatient Studies	0		
CSections Performed:	0	Studies Performed Under Contract	43,635		

* Note: According to Bed Change approved on 7/19/10 Alexian Brothers Behavioral Hospital, Hoffman Estates, received permission to add 4 Acute Mental Illness beds to an existing category of service. The facility is now authorized for 141 Acute Mental Illness beds.

Surgery and Operating Room Utilization

Surgical Specialty	Operating Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	0	0	0	0	0	0	0	0.0	0.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	0	0	0	0	0	0	0	0.0	0.0
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	0	0	0	0	0	0.0	0.0
OB/Gynecology	0	0	0	0	0	0	0	0	0	0.0	0.0
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	0	0	0	0	0	0	0	0.0	0.0
Orthopedic	0	0	0	0	0	0	0	0	0	0.0	0.0
Otolaryngology	0	0	0	0	0	0	0	0	0	0.0	0.0
Plastic Surgery	0	0	0	0	0	0	0	0	0	0.0	0.0
Podiatry	0	0	0	0	0	0	0	0	0	0.0	0.0
Thoracic	0	0	0	0	0	0	0	0	0	0.0	0.0
Urology	0	0	0	0	0	0	0	0	0	0.0	0.0
Totals	0	0	0	0	0	0	0	0	0	0.0	0.0
SURGICAL RECOVERY STATIONS											
				Stage 1 Recovery Stations		0		Stage 2 Recovery Stations		0	

Dedicated and Non-Dedicated Procedure Room Utilization

Procedure Type	Procedure Rooms				Surgical Cases		Surgical Hours			Hours per Case	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	0	0	0	0	0	0	0	0.0	0.0
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	0	0	0	0	0	0	0	0.0	0.0
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
Multipurpose Non-Dedicated Rooms											
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	0
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Emergency/Trauma Care

Certified Trauma Center	No	
Level of Trauma Service	Level 1	Level 2
	Not Applicable	Not Applicable
Operating Rooms Dedicated for Trauma Care	0	
Number of Trauma Visits:	0	
Patients Admitted from Trauma	0	
Emergency Service Type:	Stand-By	
Number of Emergency Room Stations	0	
Persons Treated by Emergency Services:	0	
Patients Admitted from Emergency:	0	
Total ED Visits (Emergency+Trauma):	0	

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	0
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	0
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	0
EP Catheterizations (15+)	0

Cardiac Surgery Data

Total Cardiac Surgery Cases:	0
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	0
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	0

Outpatient Service Data

Total Outpatient Visits	141,421
Outpatient Visits at the Hospital/ Campus:	51,563
Outpatient Visits Offsite/off campus	89,858

Diagnostic/Interventional Equipment**Examinations****Radiation Equipment****Therapie:**

	Own		Contract		Inpatient		Outpt		Contract		Owned	Contract	Treatments
General Radiography/Fluoroscopy	0	0	0	0	0	0	0	0	0	0	0	0	0
Nuclear Medicine	0	0	0	0	0	0	0	0	0	0	0	0	0
Mammography	0	0	0	0	0	0	0	0	0	0	0	0	0
Ultrasound	0	0	0	0	0	0	0	0	0	0	0	0	0
Angiography	0	0	0	0	0	0	0	0	0	0	0	0	0
Diagnostic Angiography					0	0	0	0	0	0	0	0	0
Interventional Angiography					0	0	0	0	0	0	0	0	0
Positron Emission Tomography (PET)	0	0	0	0	0	0	0	0	0	0	0	0	0
Computerized Axial Tomography (CAT)	0	0	0	0	0	0	0	0	0	0	0	0	0
Magnetic Resonance Imaging	0	0	0	0	0	0	0	0	0	0	0	0	0
Lithotripsy											0	0	0
Linear Accelerator											0	0	0
Image Guided Rad Therapy											0	0	0
Intensity Modulated Rad Thrpy											0	0	0
High Dose Brachytherapy											0	0	0
Proton Beam Therapy											0	0	0
Gamma Knife											0	0	0
Cyber knife											0	0	0

E-014-11 Alexian Brothers Behavioral Health Hospital - Hoffman Estates

